

Euler Hermes U.S. chemicals industry outlook: Unprecedented opportunities in sector activity, exports and investments

Investment surge to benefit downstream markets including agricultural chemicals, plastics and specialty

BALTIMORE, Md. – 9 JULY 2014 – The [U.S. chemicals industry](#) is expected to improve on its modest 2013 growth as major key end-markets continue to recover, according to [Euler Hermes](#), the world’s leading provider of [trade credit insurance](#). The sector’s capacity utilization should be driven by growing production volumes in 2014. In turn, U.S. producers stand to benefit from increased export activity. Margins are expected to remain quite robust due to a windfall from low natural gas prices.

“Industry production is anticipated to grow by approximately 3 percent in 2014 and about 3.5 percent in 2015,” said Sergei Shchepochkin, chemicals industry expert at Euler Hermes Americas. “This growth is supported by continued strong performance in the automotive industry and an improving situation in several other key end-markets such as appliances, construction, industrial machinery and plastics. Moreover, oil and gas prices no longer run in tandem, providing U.S. chemicals companies with a cost advantage over their foreign counterparts. Cheaper feedstock and energy costs have resulted in stronger margins and a much better ability to compete in the global marketplace.”

Aggregates	2013	2014f	2015f
U.S. Chemicals Production	2.0%	3.0%	3.5%
U.S. Chemicals Exports	1.2%	6.6%	7.6%
<i>Investments</i>	<i>\$90 billion over 2014-18</i>		
<i>Revenue</i>	<i>\$1 trillion by 2018</i>		
<i>Sources: Euler Hermes, American Chemistry Council</i>			

Bright Outlook

Over the past few years, the U.S. trade balance in chemicals products has changed from deficit to surplus. The improved global competitiveness of the U.S. chemicals sector has boosted investment activities, reversing a decade-long decline. Over \$90 billion of chemical project investments have been announced for the near-term. As projects begin in 2015, they will generate much stronger industry growth. The American Chemistry Council expects U.S. chemicals sector revenues to exceed \$1 trillion by 2018, up from \$770 billion currently.

With industry growth primarily concentrated in the petrochemicals subsector, it will also translate into stronger performance of downstream subsectors such as agricultural, plastics, polymers and specialty chemicals. As global manufacturing activity improves, U.S. chemicals exports will grow approximately 6.6 percent in 2014 and 7.6 percent in 2015, supported largely by the industry’s improved competitiveness and ramped-up production.

Challenges Remain

Sector soft spots still exist. Chemicals companies supplying electronic manufacturers generally underperformed in 2012 and 2013, due to overcapacity and pricing pressure on their domestic manufacturers. The subsector is expected to benefit from recent cost-reduction measures and restructurings; however, market conditions for electronic chemicals remain quite challenging.

“The ongoing recovery in major domestic end-use markets, an improving global economy and stronger competitiveness are raising demand for American chemicals products,” said Shchepochkin. “However, optimism



should be placed in context. Raw material price volatility creates profit margin pressure, and the macroeconomic environment is poised for growth but has had difficulty breaking out of the sluggish recovery. In such unstable conditions, producers will need to carefully consider sales expansion strategies and avoid bad debt-related risks.”

For more information, please refer to Euler Hermes’ [Industry Outlook: Chemicals](#).

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